

Center for Strategic and International Studies (CSIS)

Press Briefing: President Obama's Trips to G-20 and APEC

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H. ANDREW SCHWARTZ: Good morning. Good morning, and welcome to the Center for Strategic and International Studies. My name is Andrew Schwartz, I'm our senior vice president for external relations. Welcome to you all. I see a lot of friendly, old faces who I've seen all the time, and I see some new faces. And thank you for being here.

As a requirement for your attendance at this briefing, you must take some candy on the way out. (Laughter.) We – I have three boys at home and we last night divided up all the candy and it looked like – I mean, you've never seen anything like it. So we divided by three and took two-thirds and brought all the – and brought the two-thirds in here. So you guys have to take it, all right? There's no two ways about it.

We have a, obviously, a timely briefing this morning. There's news in Europe that my colleague Heather Conley, our Europe program director, will talk about. There's always news in Asia. Mike Green is here; he'll talk about that. And in addition, Ernie Bower is on his way. He's stuck in traffic. I think there's a post-Halloween thing going on in Virginia today, and he's stuck. So – but he'll be here before too long.

Without further ado, I'd like to introduce my colleague, Heather Conley.

HEATHER CONLEY: Thank you, Andrew, and good morning to you. As I was preparing for this morning's briefing – I have to say, sometimes a news cycle helps you out in telling a story. And as I begin, I'd like to point – highlight four stories, very, very recently, that really highlight and capture, I think, the challenge going in to this week's G-20 summit.

And clearly, last evening's announcement by Greek Prime Minister Papandreou that there will be a vote – both a Greek vote of confidence to be held on Friday on the second Greek bail-out package, but more importantly the decision to take the second bail-out package to a referendum – we understand that will be held in January – has pointed and illustrated where austerity and democracy collide. And this – and I would be very grateful, once we're done focusing on the G-20 and passing this off to Mike, I'm happy to take questions about that.

But this will now – you know, when I'm making my notes last night, you know, the G-20 summit will be certainly fully overwhelmed by the European crisis. Well, quite frankly, it's now going to be overwhelmed by this decision on holding this Greek referendum. We're seeing the European stock market right now take a big deep dive.

You're seeing European officials absolutely scrambling. They were caught unaware of this. This came out of the blue to them. You're seeing comments from London, from Berlin; we'll watch this story the whole day. But, as I said, sometimes it's even hard to keep up with the news as it shapes, entering the G-20 summit.

The other three news stories that I point to, to – again, to illustrate the complexity of the European crisis as leaders arrive in Cannes this week, is the story that broke yesterday on MF Global Holdings and the bankruptcy that was very much due in part to its holding of European periphery debt, particularly Italian short-term debt. This speaks to the contagion effect that as this crisis unrolls, it will wash upon U.S. shores in perhaps unpredictable ways. And we need to understand that.

On Friday, we saw – and as of yesterday – we saw Italian bond yields hit that precipitous 6 percent – 6.09 percent on 10-year yields. This is, again, market – lack of market confidence that Europe does have a sufficient plan in place. And finally, yesterday's OECD growth forecast has Europe growing at 0.3 percent next year. Europe is not going to grow out of this problem. And in fact, many of the modeling that we're seeing on some of the bail-out packages does see an economic growth scenario. I think we have to start looking at some reassessments of that. So that – those, for me, were the four stories that said: This is what's shaping the global leaders' perspective as they enter the G-20 summit.

I think it's important to note that the G-20 is a process, not an event. And I think we tend, and certainly the countries that host the presidency of the G-20, tend to like to see these things as events and outcomes. And certainly six months before a French presidential election, I think President Sarkozy had in mind that this would be an excellent opportunity to have an event to showcase French leadership – global leadership.

And his – and President Sarkozy's ambitions for the G-20 were extraordinary. Last August, he painted a picture of seeing where the G-20 agenda would look at global governance reform, U.N. Security Council reform, look at the reform of the international monetary system, look at how to reduce the volatility on commodity markets.

And slowly, over the last 12 months, that agenda has completely been consumed by Europe and the European debt crisis. And so the issues that will be discussed, either at the agenda or, more importantly, I think, the hallway conversations – particularly after the decision for the Greek referendum – will really speak to shaping what that final communique will say about – particularly about the European debt crisis.

Many have argued that the G-20 works best in a crisis. And as we saw in the April 2009 G-20 summit in London under then-Prime Minister Gordon Brown's leadership – and it was also President Obama's first appearance on the international stage as president, his first trip to Europe – there was great expectation, and the G-20 rose to that occasion and developed a pretty robust package to save the global economy.

Two years later, we now see that there's complete political and domestic fatigue with crisis, with austerity. You look at the G-7 world, quite frankly, with the U.S. economy struggling, obviously European economy under great strain, as well as the post-Fukushima incident – the G-7 world is in great, great peril, economically. And how does this now transition or translate to the G-20?

We predicted a very long transition period from the G-7 to the G-20. This, perhaps, and the European debt crisis, may in fact accelerate that transition. There's a question of who is leading this? Who is the clear leader? And whose vision will bring the G-20 community through this turbulent period? So I would ask you to look at that thematically.

Will there be a quid pro quo if China comes to Europe's rescue? Will that mean an acceleration of voting rights in the IMF? Will that mean greater say of the emerging economies in future global governance as well as the governance of the international monetary system? So all of this is swirling around this particular G-20 summit.

And perhaps as a segue towards Mike and the Asia theme, thinking about the role of China – certainly, European leaders have been courting Chinese interest and investment and enthusiasm in both asset purchases as well as purchasing of debt. And the question of: How much of a role will China choose to play at this summit? Will they choose to come to the rescue – come to Europe's rescue or, as they've dampened expectations yesterday, do not anticipate that the Chinese will be – play the role of savior to Europe?

I think there's probably some great relief in some quarters in Beijing that this G-20 summit is so completely about Europe and perhaps less focus and attention on the currency issue. Perhaps, as the Obama administration continues to seek that rebalancing initiative between export-surplus countries and others – again, this perhaps has been put to the side with the complete focus on the future of the European project, which has now been placed in even greater question due to this Greek referendum.

So with that, happy to take lots of questions and comments. But those are some opening, framing remarks. And perhaps we'll pass it back.

MR. SCHWARTZ: Now for the good news. Dr. Green.

MICHAEL GREEN: Thank you. Well, this trip to Asia by President Obama and 2,000 of his closest friends comes at a point when the American elite, at least, and I think the American public is really focused on Asia. The Chicago Council on Global Affairs does polling every two years and asks what part of the world is most important for the United States. And this last poll by a very wide margin, for the first time, Americans said Asia.

It also comes after Secretary Hillary Clinton's article in Foreign Policy about the pivot to Asia, which I am told created a little bit of angst in the – your old bureau – (laughter) – in the Europe bureau. The argument was, as we sort of draw down from Iraq and eventually out of Afghanistan, we're going to shift and pivot towards Asia. So this trip will be the first big thing since Secretary Clinton announced this apparent shift in American focus. And of course, Asia right now is the source of the most dynamic growth in the world and also some of the biggest security challenges.

President Obama will go to two summits in Asia on this trip. Usually, the president's calendar features somewhere between two, and sometimes four or five, trips to Europe each year, and usually one trip to Asia, if that. Now there are two. Now, they're back to back, but the

summit diplomacy for this president and future presidents in Asia is really starting to fill the calendar.

The first stop he'll make is in Hawaii for the Asia-Pacific Economic Cooperation, APEC, forum – sometimes called four adjectives in search of a noun. APEC was created in '89, largely as an economic forum. President Clinton in '93 elevated it to a summit of leaders of the Pacific Rim – leading Pacific Rim economies. APEC is best known for the funny shirts – the costumes that they wear. Clinton started that by asking – by giving everyone a scarf. You may remind – remember in Seattle, and all these leaders had their blowing, white bombardier scarfs. And so every host after that wanted a costume.

President Bush in 2001, for his first APEC summit, went to Shanghai – and the costume's always a secret. And then they get your leader's measurements and then the leader gets to try it on. And I remember when President Bush got his Fu Manchu jacket – (chuckles) – for the Shanghai outfit, and he turned to the staffer who gave it to him and said, if I go out on the stage and every leader isn't wearing one of these, you're going to wear this in the White House for the rest of the time you work here. (Laughter.) And he wasn't working – and people wore it.

And poor Putin had a bright lavender one. So the president was – I think his was blue, so it wasn't so bad.

MR. SCHWARTZ: What – Mike, were you the staffer that –

MR. GREEN: No, I was – I knew the staffer. And it was one of those “there but for the grace of God goes I” moments. I think we're doing away with the shirts, by the way, this summit – in part, because the domestic political image of everyone wearing – having funny shirts right now would not play well.

APEC's the largest economies in the Pacific Rim – 21 economies. It's an economic leaders' summit, because Hong Kong and Taiwan are in, and Beijing would not accept their participation as political leaders.

But political issues are discussed, especially on the margins. APEC is – from the American perspective has been the preeminent forum in Asia. Why? Because, A, we're in it. And, B, it's trans-Pacific. And we don't want to see an architecture of trade arrangements and political arrangements in Asia that draw a line down the middle of the Pacific. So Canada is in it. Peru is in it. Mexico is in it – Chile.

This year we largely own the messaging, because it's in the United States; and APEC is not an organization or a forum that has binding agreements, it's more aspirational. But they're pretty important. They tend to focus on trade facilitation and those sorts of things. And that will be much of the emphasis. But the real narrative, I think, the president will want to tell, is that their – America has a trade agenda.

We didn't for years, but now that the Korea free trade agreement has passed in the Congress, the president can start talking about the Trans-Pacific Partnership, TPP, and, although

it won't be done, this is a eight-country negotiation involving the United States, Chile, Singapore, New Zealand, Brunei and others.

MR. SCHWARTZ: Nine.

MR. GREEN: Nine countries, excuse me. And although it won't be done, they'll be able to talk about the outline and show some real momentum, again, in a trans-Pacific trade architecture. There are well over a hundred trade agreements in Asia; we're in a small handful of them. But when we do trade agreements, they're the real deal. It's real trade liberalization. A lot of the trade agreements in the region tend to be somewhat more symbolic – lots of exceptions, not always WTO-compliant.

So a big theme for APEC will be not just the technical agreements in APEC to facilitate trade but the president's message to the region and to the voters back home that we've created conditions for American exports with the free trade agreement with Korea and with TPP. What he won't mention is that both of those were negotiated by the Bush administration – (chuckles) – and that the Obama administration took several years to actually move them forward. But it's OK – it's a happy ending. And just in time, because I think the president's trip would have been very, very hard to message if he hadn't had the – KORUS pass in the Congress.

He'll then go to – Ernie Bower's here. I'm going to let him talk about Australia and the East Asia Summit. In fact, why don't I turn it over to you – if you've got your breath – (chuckles) – to do the next two legs of the trip? After APEC, the president goes to Australia then he goes to Bali. And then I'll take the mic back for a few sort of – if it's OK – for a few sort of beneath-the-surface stories or themes that I think will build over the course of the trip.

ERNIE BOWER: OK.

MR. GREEN: But to continue the itinerary.

MR. BOWER: Yeah. OK, Mike, thank you very much, and sorry for being late. I'm Ernie Bower, I chair the Southeast Asia program here at CSIS.

The president, after he goes to APEC, will go to Australia. He's finally getting to Australia after several tries. This is important because Australia, of course, is one of our five treaty allies in the Asia-Pacific, and the Australians have been waiting for this visit patiently, actually, for some time.

It's an important visit because Australia, on the trade side, is one of the partners in the TPP negotiation. And also, as we look at force posture review in the United States and where we're going to have our military presence in Asia for the next several decades, Australia is going to figure large. The president will go to Canberra, which is the – of course, the capital of Australia, and then he's going to Darwin.

And the Darwin visit is the hint that you should expect some announcements of basing agreements. And that's the B-word, folks, the basing agreements with the Australians in

Western Australia. This is a big deal. Australians have polled 55 percent in favor of supporting American basing in Australia, which is sort of a unique time across Asia, where the U.S. security presence is very much welcomed to balance what's perceived as some recent Chinese aggression, particularly in the South China Sea, also in the Senkakus and Diaoyus up north, and particularly related to the – I think there's a sense of balancing that the administration is looking at with regard to the Indian Ocean and Indo-Pak relations. So, as you know, we're trying to – part of the – part of the strategy of the United States is to draw India into the Asia-Pacific. And this will – this will be part of that script.

So after Australia he'll go to Bali. Bali will include the East Asia Summit. This is the first time an American president has participated in the East Asia Summit. This is the 10 ASEAN countries, plus eight other countries, including the United States. The Americans and the Russians are first-timers. The Russians won't be here – well, not the president anyway. Medvedev is not coming because of transitions in Russia.

And hopefully, our president will be there, although there is this – I'm sure a lot of you who have the White House beat are aware of the consistent pressure that we've faced in the United States over whether the president should be out of the country for long periods of time. This would – not showing up in Bali would be a real mistake. It would underlie a narrative that the Chinese have promoted, in some sense, that the Americans are interested in Asia but they're not consistently engaged.

And it – when political – when the political folks in the White House get to the point where the president's actually about to make a trip, we've seen over and over again that foreign policy and the strategy that's been laid out – very well, I would argue – by Hillary Clinton and Leon Panetta – who, as you know, just himself got back from Indonesia.

Both of them have made the argument that the United States is centering its security, trade and foreign policy on Asia. And the president himself has sort of taken this message to the United States; started to talk about Asia's importance to trade and recovery, to job creation. These are very strong messages that should come out of Bali.

But there is pressure here not to – not to do the trip. And it's – you know, it's always better to be in Indiana than Indonesia – that sort of – that sort of thread is out there. I think in the end he goes. When he's there he will meet with the East Asia Summit leaders. Expect the stories to be about the South China Sea. I think there'll be language coming out on the South China Sea. It may not be in the leaders' declaration, because the Chinese don't want to see the words "South China Sea" in that declaration. But expect the White House and the president to spin some real – some real outcome in terms of countries working together on the South China Sea and on a multilateral solution there.

The other piece of it will be economics. The – our friends from around the region would like the United States to have an economic – to focus or at least be able to talk about economics and development within the EAS, even though, right now, as Mike probably mentioned, we're focusing on trade in APEC. I think the president will probably have signed up to some language about things like connectivity and the importance of economic development.

What the rest of Asia is concerned about is that the United States don't try to put economics in the APEC basket and put only security and political issues in the EAS basket because they fear that would serve sort of another narrative that worries them about the Chinese driving economics through the ASEAN-plus-three vehicle, which excludes – the ASEAN plus three being ASEAN – 10 countries – plus China, Japan and Korea. And that would obviously exclude the United States and India, Australia, New Zealand and others. So I suspect we'll see a little bit of focus there.

And then he's going to do his third U.S.-ASEAN leaders summit. That's President Obama meeting with the 10 ASEAN leaders. They'll announce a(n) eminent persons' group, a U.S.-ASEAN eminent persons' group, and the president will name three prominent Americans who will be part of that group. He will announce probably some stories about education, investment in education and teaching English, and some cooperation in the areas of health care and some other joint U.S.-ASEAN efforts that should be fairly compelling, at least to the Southeast Asians. And if the president is willing to complete the text that Hillary Clinton and Secretary Panetta – and before Panetta, Gates – have laid out for him, he will emphasize that the Americans are committed, long-term committed to be a big player in the Asia-Pacific.

Thanks – (inaudible).

MR. GREEN: Let me – let me wrap up with some themes that the White House is probably not going to put in their pre-brief, but which I would want to pursue.

But let me first also mention, these meetings can be excruciatingly boring for the president of the United States because many leaders will just read speeches. And the White House is constantly struggling – I did this for four and a half years – to make the meetings interesting, in part so the president will go back the next year.

But a lot of the real action – and I think it's the same for G-20 and G-7 – is in the bilaterals, the bilats that happen. This time, there will be probably, I would guess, three to six bilats every day.

And surveying the field, the one that might be most interesting is Japan, because the president's going to Australia, he just had an extended visit from Lee Myung-bak from Korea, and he had a major summit with Hu Jintao in January, which is six, seven months – nine months ago, but Noda, the prime minister of Japan, has not really had a serious sit-down yet with the president. And the issues that will be on the table are consequential.

One is whether or not Japan will join TPP. If – there's a narrative in the Japanese press – of course, nobody here is to blame for this, but there's a narrative in the Japanese press that the U.S. is pushing huge pressure on Noda-san to agree to TPP and open agriculture so that Americans can sell rice and beef.

That's not the story. The story is that, in fact, the trade negotiators are a bit wary of having join – Japan, the third-largest economy, join TPP because the trade negotiators from

Japan are pretty good and they would prefer the Americans to get it largely done and then have Japan sign on the dotted line. But strategically, this is a big deal because it will be a signal of whether or not Noda-san and the Japanese government is going to make big steps to restructure the economy to be more competitive and dynamic in terms of growth and trade diplomacy.

And then there's the perennial Futenma base issue and some other defense things that will come up.

Now, three themes that I think may come out of this trip – will come out of this trip that are below the surface but will be on everyone's lips – one is a little bit inside baseball – but that's the question of APEC or East Asia Summit.

MR. : Right.

MR. GREEN: For many years, the United States, Democrats and Republicans, avoided encouraging East Asia Summits because we wanted the regional architecture, trade and political, to be trans-Pacific. And APEC includes our neighbors, Canada and Mexico, and, of course, Chile and Peru. And East Asia Summit does not.

And so there's a quiet struggle within the administration, I think, over where the emphasis goes in the future. APEC's problem is that the East Asians will grumble that the Latins and the Canadians don't bring anything and is not really East Asian. And – frankly, although they won't say this, they're not happy because the United States drives the agenda in APEC and we tend to push for agreements and goals on trade-related issues. But it is not Asian in the views of many in the region.

The problem with the East Asia Summit, though, for the United States is, it has no proven track record at all on economic issues. And it's bigger – and it includes India and it includes all 10 ASEAN countries, Cambodia, Laos, and Burma. So it's very hard to get substantive agreements. APEC is not binding, but at least there's some substance that – I think the trade and economic officials and business leaders worry that the EAS would not only cut off the trans-Pacific piece with our Canadian and Mexican and other neighbors, but that it wouldn't deliver anything because it's run by – sorry – (chuckles) – it's run by ASEAN, the Association of Southeast Asian Nations, which tends to do summits that are very user-friendly, lowest common denominator. So, you know, which one will the president in the future lean towards? We may get some hints this time.

The problem for both is, next time the APEC summit is in Vladivostok, and there's a real question about whether the Russians can deliver a good trade agenda. And the next EAS summit is in Brunei, and then Cambodia – or is it Cambodia and then Brunei?

MR. : Cambodia.

MR. GREEN: Cambodia and then Brunei – and real questions about capacity to deliver there.

Second sort of theme or struggle – which, I think, is inherent in everything we’ve said – is the U.S.-China standoff. We obviously have a relationship with China that’s a mix of cooperation and competition. But these forums, and especially the ASEAN-centered forums like the ASEAN Regional Forum and the East Asia Summit, although the themes are community building and cooperation, beneath the surface they’re becoming an arena for subtle but, for the region, quite unnerving power plays and influence games between the U.S. and China.

In 2009, I think the Chinese interpreted the financial crisis and the Obama administration’s more accommodating approach towards relations with Beijing as a sign that they could push out. And in 2010, they did, in the East China Sea, in the South China Sea.

The story of the ASEAN Regional Forum last – in 2010 was one in which Secretary Clinton – this is the foreign ministers’ meeting – gathered together our allies and friends and a lot of concerned countries in Southeast Asia to lay down a very firm line with Beijing.

In this East Asia Summit, as I already said, the question will be, how will the South China Sea issue come up? The Chinese do not want the word “South China Sea” to appear in any public document. They might agree to the words “freedom of navigation,” and we will say, that means that we continue to keep pressure on China to not use its PLA navy and other military services to push its claims. China will claim they won, because the word “South China Sea” doesn’t appear. Stuck in the middle: Japan, Australia, our treaty allies who are, you know, supporting us; other countries like Vietnam that would like to stick it to the Chinese; and the rest of ASEAN, who’s nervously looking for the right balance between the U.S. and Washington. The communique will not reveal much of this, but in the hallways, it will be very intense.

And then the last story or the last issue, I think, is – you know, Secretary Clinton talked about the pivot – all of us who do Asia are very supportive of this, but there’s a resource question. Hanging over this whole trip as it hung over Secretary Panetta’s trip is, what will happen with the supercommittee? Will the U.S. defense budget allow us to have 10 carrier battle groups or seven? You know, huge possible variations in our defense spending and our actual resources that result in Asia. And similarly, trade, what comes after TPP, it’s not clear. So Secretary Panetta really made reassuring the region a big theme. I think the president will too. But everybody will be watching back here what’s happening with the supercommittee at the same time they’re talking to the president in the region. Thanks.

MR. SCHWARTZ: With that, we’d like to open it up for questions. If you can – if you’re at the table nearby a mic, please speak into the microphone and identify yourself, and let us know who you are. If you’re in the back, please yell as loud as you can. Mr. Condon?

Q: George Condon, National Journal. This is directed primarily to Heather, but if it applies to Asia, Mike or Ernie, great.

You mentioned hallway conversations. This is the first summit, first trip the president has taken since the less-than-elegant debt ceiling debate. Will he find himself having to reassure the allies of U.S. leadership? Are there – are there concerns about Washington dysfunction?

MS. CONLEY: Yes, there's certainly concern about U.S. leadership. And you've seen – well, let me begin – there has been some difference in U.S. messaging about the European debt crisis. On the one hand, you have both the president and Secretary Geithner saying, we have full confidence Europe can handle this issue; they have the resources; we know they can do it. And then you waffle back and, you know, Europe is scaring the world; get your act together. Secretary Geithner has repeated visits to Europe to make sure they get – to get the message.

And I think you've seen, in that difference of messaging, European leaders have – and particularly European finance ministers have not been fully appreciative of U.S. advice and counsel on how to deal with the European crisis because of U.S. domestic challenges. In fact, one European official that I spoke to after President Obama gave his quote about Europe scaring the world, the European official told me, well, don't you think, during the summer, when Congress was negotiating this debt ceiling and we weren't sure – you know, don't you – don't you think you scared all of us?

So it's – you know, it's a point where we're not seeing that coalescing of leadership to resolve the issue. We're starting to see where tensions and nervousness are rising, I think, you know, quite frankly, as we're getting closer to key elections, whether that's the French presidential election, our own election, and the economy seems to be shaking more and more. Who has the answers? Who can resolve this? And what we're seeing is sort of a finger-pointing, this is yours to solve; you know, keep us out of it; build the contain – you know, build the firewalls. And in the president's Financial Times op-ed, I found the most important issue – you know, number one, America will lead and it's about this global growth agenda – juxtaposing that to the OECD report saying, look, for both Europe and U.S., we're seeing a slowdown in growth or a prediction of a slowdown in growth. And, in 2012, how do you marry those? And the second – his second issue, Europe, Europe, Europe – and making sure that this contagion does not come to us.

So it's a question of, what voice is leading this G-20 summit? As I said two years ago at this sort of similar crisis moment, it was Gordon Brown, it was the British, in some ways using his financial and technical skills to drive an agenda. Two years later, there's political exhaustion, there's domestic exhaustion which is, you know, sort of represented by this Greek referendum decision. You just don't see where that global leadership is coming, what's the vision here. Are the Chinese leading this? Are we leading this? Is Europe, you know, enable – unable to lead? That's the question. And you – it's just not a clear picture.

We'll see if the president decides to grab this mantle and really drive the G-20 discussion. It'll be interesting to see in his concluding press conference how he believes U.S. leadership framed this conversation. But I think it's going to be a very, very difficult challenge in showing leadership and leading – what? Are you leading the European crisis? Are you trying to lead emerging economies to have more say? Are you trying to protect the U.S. economy from a spillover effect from Europe?

MR. SCHWARTZ: You guys want to – (inaudible)?

Roger (sp), did you have a question?

Q: Yeah. Given that set of conditions, which is a lot to deal with, plus the referendum now, to what extent is the referendum a game changer for the whole summit?

MS.CONLEY: I actually think – I think it is a game changer, and I think it's what everyone – what this throws into question. So – well, the British, will there be great political pressure for the British to go to a referendum whether they should continue in the EU? We saw the backbench rebellion last week over some inopportune comments by President Sarkozy. Will the Italians – as they're forced to do greater austerity measures, will there be a, you know, decision to seek greater public support in this?

The fact that there was – it seems too – again, from initial press reaction, that this came out of the blue. And there had been rumors and certainly speculation for many, many weeks that PASOK and Papandreou were in – were in significant political crisis – the fact that the New Democracy party did not join in June of this year in a unity government, there were continuing (pulls ?), and every time you take this vote back to parliament, we saw the rioting. It just gets more and more difficult. The same thing is happening, quite frankly, as – in German political circles. The more you take this back to the Bundestag for a vote, the more difficult and politically fraught it becomes. So I think in domestic tactical terms, Prime Minister Papandreou was – actually, this is a very deft political move because it prevents to go to early elections, which is what the opposition has been calling for, and it also says, look, you have to make a decision.

How this question is framed will be what's on everybody's mind. And we won't know that until Friday's vote of confidence, which I think will help shape what this question is. But this is basically – if it turns into a referendum on the Greek government, I think we are in dangerous, dangerous territory. If it is a referendum on, really, whether Greece wants to stay within the European family and the project and it's put in much broader perspective – maybe.

But, again, what are we going to know in four months? The troika, the IMF, European Central Bank and the European Commission go into their seventh technical review in December, January. This vote's scheduled for January. Greece has a major debt rollover in March of next year. I mean, this is really crunch time. And the stakes could not be higher. And you're seeing where the European leaders, who have just about killed themselves, the 14th summit in 20 – you know, 21 months, to get this finely crafted, very opaque – we have no details on how any of the package is going to work – decision, may have just been unwound with this decision yesterday.

Q: When you – when you – when you say we're in very, very dangerous territory, you're referring to pulling out of euro all together, or – what are you referring to?

MS. CONLEY: Right. I mean, I think that what's at stake right now is the European project and whether Greece is going to stay a member of that family. I think if they don't broaden this question out, it makes this referendum – you know, it's a – it's a referendum on four years of recession and the continuation of great pain and austerity. Who wants to raise their hand for that? If it's placed in a wider context (of whether ?) you want to stay within Europe and all of that means and the membership benefits that Greece has received, that has a better chance.

But that makes, again, it all the more risky that you're saying, well, if they vote no, does that mean Greece is voting to step away from the European project?

MR. : Question.

Q: Thank you. I'm – (inaudible) – Chan (ph) with Phoenix TV. Quick question – I note that the Treasury has kept – kept pushing renminbi appreciation issue – especially they say President Obama going to push this issue with Chinese leaders during the G-20. So why this is a good timing to do so?

And also, they say the Obama administration shared a goal with the Congress which is, they say, the renminbi actually devalue, like, 25 to 40 percent, but actually, renminbi has appreciated 40 percent within five years. So why this is a good time, and what's the goal of the Obama administration?

MS. CONLEY: Mike, do you want to take – (off mic) – to do G-20 – (off mic).

MR. GREEN: Sure. The – I think the RMB issue is a lightning rod for a couple reasons. One is, it's the easiest thing to understand. I mean, there are a lot of problems that the administration and the Congress and business are grappling with in the economic relationship with China, and they do so in the strategic and economic dialogue, which is basically half the cabinet, and a variety of other forums. And those range from indigenous innovation, you know, import substitution barriers, intellectual property rights problems, corruption. I think it's accurate to say the U.S. business community is starting to split a bit on whether or not they should lobby on behalf of, you know, open economic relations with Beijing because they have – are increasingly frustrated, many of them, with these problems, especially behind the – behind-the-border problems. The renminbi for the business community is probably not the highest on the list, but it's easiest to understand, in some ways. It's symbolic for all these other issues. And then, politically, Mitt Romney came out and said he would designate China as a currency manipulator.

It's also safe. People – the Wall Street Journal, editorial and others are warning of a trade war, but the fact is, that legislation does not require the president to really do anything except investigate. So it's a – it's a – it's a big stick to wave, but it doesn't require or bind the president to impose tariffs or anything like that. And so it's fairly safe but mostly symbolic.

I think, though, that this will be an issue in the election year because the Romney side has brought it up. The president is clearly trying to get ahead of it. And as you heard Ernie and I describe the trip, you know, APEC is going to be about jobs and exports, but the Australia and Bali trip segments, which are very, very important, how does – how do those get framed by the White House? What's the theme? And I think the China issue is going to be more and more prominent as this trip goes on, people are going to focus on it more and more back here, and so these issues will come up. But I'm personally not worried about a trade war for the reasons I said.

MR. SCHWARTZ: (Off mic.)

MS. CONLEY: Just a quick – on the G-20, I think President Sarkozy has actually invested a great deal of personal time working with the Chinese leadership to see how we can bring, enlarge the basket of currencies, the SDRs, and bringing the RMB closer into that. Now, again, this is sort of being washed away by, I think, a lot of European courting of Chinese investment into Europe and into the debt issue, but again, it's another more – you know, broader, more global governance issue to try to, I think, continue to engage the Chinese in this conversation.

Again, I – you saw it come out a bit in the G-20 finance ministers' communique two weeks ago, but how this is – this issue is sort of framed in a larger global framework, I think, will be important for the G-20 to continue to push this issue forward.

Q: But the currencies have to – in the SDR basket have to trade freely or else they can't be included in the basket, so –

MR. GREEN: Well, that's – I mean, the substantive issue here is not, you know, whether the RMB should appreciate 20 percent or 15 percent; the substantive issue is when and how China moves towards more of a market-based exchange rate regime.

And that's something China has got to do – it's got to do if it's going to be a responsible member of the international community and, frankly, it's going to have to do it if it wants to have the monetary tools to control overheating and problems in its own economy.

The problem is the Chinese political leadership is – it's quite fragmented these days, quite nationalistic, quite sensitive to domestic pressures. It's particularly sensitive to disparities between, you know, rapidly growing coastal areas and areas that aren't growing quickly, and they're worried about hot money pouring in, and they don't want to repeat what Japan went through in the mid-'80s when the yen appreciated, and you had this bubble. So the domestic pressures on them are considerable.

But the value of the renminbi is sort of the easy-to-understand political battle, but the substantive thing that the professionals care about is the one you raised. So I think it does make sense to ease them into this, bilaterally and globally, to try to encourage movement towards a market-based flexible exchange rate regime.

Q: So that's the carrot – (inaudible)?

MR. GREEN: What's the carrot?

Q: The carrot being in the SDR basket – is for – the carrot for them to move?

MR. GREEN: I think it's probably as much pressure as it is carrot.

MR. SCHWARTZ: Right here.

Q: Is Europe an attractive investment for China right now?

MR. : (Inaudible.)

MS. CONLEY: And I – he said yes, it's – (inaudible, laughter) – strategic assets, absolutely, and what we're seeing is infrastructure, refineries; and the price is good, particularly when, you know, assets sales are required. But you certainly have not seen the wholesale or whole-scale emergence of Chinese companies or purchases. They're – in part this is, I think, a lack of understanding of the European market. There's also some resistance by European officials, necessarily, to embrace.

I mean, while they want to have the rescue, they are also quite concerned about, as I mentioned, the – is there – what – what's the policy quid pro quo for this? Will they see demands by China, for example, for the EU to grant market-economy status as has been suggested? Will they see pressure to change their positioning, like, on the EU arms embargo?

So there's multiple levels here of concern, but if you look at sort of the broad-scale: The Chinese investment in Europe has been not a significant magnitude. It will grow, but it's nothing right now to be overly concerned about. But what – I think it's a trend that we have to watch.

Select assets are attractive. Obviously they want a European market that represents 20, 21 percent of particularly Chinese exports; they want that market to continue to purchase and to be healthy. They want to diversify their own reserve baskets, so they will buy some of the debt. But, as I said, you just don't see this full-scale Chinese race to Europe to purchase; it's just not happening right now.

(MR. SCHWARTZ ?): Eric.

Q: No, that's good. Thanks.

Q: Had a question for Dr. Green on TPP, if you could expand a little bit on that?

(MR. SCHWARTZ ?): Eric, could you hit the microphone and just speak – (a little bit ?)?

Q: Is that – how's that working? Eric Weiner, Tokyo Broadcasting System, for – a question for Dr. Green.

USTR Kirk just last week, I think, at U.S. Congress event said the U.S. isn't going to slow down on TPP or wait for anyone, and how does that bump up against what you said about Japan? I mean, how much does the U.S. really want Japan to join, and with the thinking that if Japan joins, then the rest of Asia will follow? Thanks.

MR. SCHWARTZ: Mike –

MR. GREEN: Well, a lot of the –

MR. SCHWARTZ: Mike.

MR. GREEN: Oh, sorry – the – this is a very hard negotiation, very hard. It's different kinds of economies developed and developing, and it's eight other countries. And – have I got the math right that time? Last time I was counting – I wasn't counting us.

MR. : Yeah.

MR. GREEN: It's eight other countries. And it's hard enough, but I think a lot of USTR negotiators, we haven't had a substantive trade agenda with Japan in a long time. And I think a lot of USTR negotiators remember what it was like negotiating with Japan in the '80s and early '90s. And it was – it was a real World War I trench warfare, and so they're worried about getting into this with Japan again.

And I think frankly that a lot of the negotiators in USTR don't realize how Japan has changed. For example, the business community in Japan, in contrast to those earlier trade negotiations a decade or so ago, is a hundred percent in favor of TPP, all of Keidanren, all of Keizai Daigaku (ph) and even the labor – RENGO – union is generally in favor. The holdout is basically just agriculture, and even on agriculture, it's really just the agriculture cooperative, which is a, as you know, a very powerful body. So it's kind of the tyranny of the minority. And because votes in Japan are weighted heavily to rural districts, because of decades of gerrymandering, that's politically quite substantive.

If Prime Minister Noda comes to APEC and says, I've lined up my party; we have a plan to reform agriculture in Japan, make it competitive, and we've – we're taking – we're going to take care of that, and we want a TPP, I think the attitude would change in USTR because it – what would be evident is that this is a trade negotiation where the Japanese side has started to line up its own constituencies, but what the USTR doesn't want to do is say, sure, come on in, you know, and without resolving all of these problems. The other thing is there are some outstanding issues like beef, BSE, that would have to be cleaned up before the U.S. government could go to the Congress. So it's complicated.

But for Japan, with the high yen, with the – the reality is, in Japan, a lot of multinationals have a Japan market presence and an Asia-Pacific market presence, and that's true increasingly for Japanese companies. So they don't want to be the – what they say is they don't want to be the Galápagos of the Pacific, where you have these quirky sort of Japanese-only strategies. They want to be integrated fully, and the TPP is critical to that, plus, of course, the U.S. market. So there's a – overwhelming economic rationale for it from Japan's perspective. Strategically it's important to us not because of the market access so much as Japan is a pillar of stability in Asia, (picking up ?). But it's a hard fight for Noda. I think he's going to probably go to APEC and announce to the president he's in.

I think that's – if I were betting money, which I'm not – I'll bet you all the bagels over there – (laughter) –

MS. CONLEY: I don't think there's any left.

MR. GREEN: OK, good, then I will definitely bet you all the bagels over there that he'll do it because it's really a matter of survival for Japanese industry.

MR. BOWER: I dissent.

MR. GREEN: Yeah.

MR. BOWER: I just wanted to add on this. One thing that you should watch on the TPP story is KORUS. If the Koreans pass KORUS through their legislature before or during this trip, the Koreans could quickly move to be in on TPP and, I think, for the Japanese, that's a major issue, right? If Korea not only does KORUS, but now it has – now it joins the TPP, the train is really leaving the station, particularly since Korea has done an FTA with the Europeans. The Japanese have got to play on trade, and I think Noda has no choice but to try to walk through those political walls in Japan and get in.

Q: Hi, I just wanted to follow up on that. I mean, when they – Doug Palmer with Reuters – when they talk about Japan joining, they always talk about Japan requesting to join the negotiations.

(MR. GREEN ?): Right, right.

Q: So – but I mean, do you think once they request, they're essentially in? I mean, is there any way that the other TPP members would say no, we're not going to allow you to join at this time? And then, if I can just go on a little further, I mean, they also talk about the TPP as a pathway towards the free trade area of the Asian Pacific, and then they – I think, in the last – (inaudible) – statement, they identify ASEAN plus three and ASEAN plus six as two other pathways to the free trade area. How – compared to TPP, how far along are those? I mean, does the TPP have the lead in terms of (that ?) being a viable pathway?

MR. GREEN: Right. So Japan's – at least the trade ministry and foreign ministry strategy is to pursue ASEAN plus three – ASEAN plus six, which includes Australia, India and New Zealand. And then free trade area, the Asia-Pacific, which the Bush administration put out as, by implication, all the APEC countries eventually. (Clears throat.) Excuse me.

TPP – KORUS and TPP really pushed the trans-Pacific to the front of the line. Before KORUS passed and TPP looked serious, we were sort of third on the list for Japan, I think. And so it's really – that's where a lot of the action is.

Also, it's not clear – it's fairly clear what a TPP will look like, because our trade legislation gives very little, you know, maneuvering room to USTR. It's not at all clear what an – what an ASEAN plus three or ASEAN plus six would look like, because – you know, for example, China's FTA with ASEAN has over a hundred exceptions. So it could be very, very thin at the end of the day. So, in a way, you're comparing apples and oranges, too.

But that's part of why it's so important for the U.S. to – and so critical that we got KORUS through, because this isn't only a debate about who's in the trade agreements, but what kind – how serious are they about trade liberalization?

I think we have to have Japan in at some point. Otherwise, TPP doesn't build to a larger FTAAP. The question is, when will Japan be ready? Other partners, Australia and New Zealand – Australia's negotiating an FTA with Japan. They'll probably say, you need to accelerate negotiations with us first. I think some of the Southeast Asians will say, you cannot have an exception on rice like the Koreans got with the Americans. So there will be some – you know, there will be demands. It's a trade negotiation. Japan will have its own.

But as you point out, this is just a bid to get into the negotiations. It doesn't – it's not an agreement to sign on the dotted line, although it's an American trade law they're dealing with, so 95 percent is already written into legislation and they need to know that.

MR. : Questions here?

MR. SCHWARTZ: Yeah, I'm going to come right back to you. Right here first, and then we'll –

Q: Mike Dorning, from Bloomberg, for Heather.

On the G-20, you talked a little bit about the domestic political constraints the Europeans face. Given that and given the current situation, beyond the broad parameters of U.S. goals – you know, create a firewall, try to have bold and quick action on the European crisis – what specifically do you think the U.S. will be looking to accomplish here given all that's happened this week and last week in the G-20? And how will we know? You said before, one of the (interesting things ?) will be, is it Chinese leadership, U.S. leadership, others? How will we be able to test whether they're successful in their goals at the end of (the time ?)?

MS. CONLEY: Yeah, I think – and talking to several of you – for this – I think this is such a challenging summit to figure out exactly that. What – when will we know if this was successful or not? How do we define (success ?) –

Q: From the U.S. perspective.

MS. CONLEY: – from the U.S. perspective?

You know, I – and I cannot quite figure out whether it's an offense or defense plan, offense meaning – and very much to the president's op-ed – U.S. leadership, let's get global economic growth. Are we going to see a real concerted effort in trying to challenge export-led growth countries to, you know, spur initiatives for domestic demand? Are we going to see beating back the European initiative for a financial transaction tax? Is it going to be more defense, sort of preventing regulations that the U.S. is not very keen to see?

I cannot tell you. I cannot tell you what success looks like at the end of this summit under U.S. leadership other than, I think the president can point to where the 20 most important economies that represent 80 percent of GDP met together, and they have agreed that, you know, Europe will take care of this business; we will, you know, see where global growth can initiate.

I can't tell what success looks like at the end of this. And I think now, because of the Greek referendum, and because of the – many of the political constraints that are coming into this, that we may decide that success is simply saying, we'll meet again, Mexico will be the chair and we'll see where we can pick up the pieces.

Q: Did you see anything about the G-20 package that they might seek to influence and be capable of influencing this week?

MS. CONLEY: I cannot see where there's going to be significant influence. And Mike, from the Asia perspective, this – and this is – again, for journalists, this is an exciting story because this is an evolving story and it's literally changing every day. It's terrifying any administration staffer that's trying to write this story and have this communique sealed and to know exactly where the president, at his press conference, where he will define leadership.

And as I said, you know, we have an important economic week this week with capstone (ph), with Friday's October unemployment report – again, how the domestic economic situation flows into the international perspective. And where does leadership stop and start in those two? I think this is – as I said, this has been the challenge of defining the summit and the story for you. What do we see as success? I don't know. I simply don't know.

MR. GREEN: The funny thing about this, about –

MS. CONLEY: Help me here. (Chuckles.)

MR. GREEN: No, no, I – the funny thing about summitry these days is – so in a few days, on the question of the European debt crisis, the U.S. delegation will probably find common cause with the Chinese delegation, will certainly have support from Japan, Australia, Indonesia, India. But then, a week later, the U.S. and Chinese delegations will be in a game of chicken over the South China Sea. And there's so much summitry going on that today's ally may be tomorrow's adversary in some of these things. And there's this rolling – this rolling – it's like the World Series, but the teams keep shifting.

I do think that, compared to the old G-7 process, the G-20 does give us a lot of leverage in terms of influence, but much less ability to negotiate an outcome because it's so unwieldy, and so many of these other member states are not used to producing substantive communiques. So more influence but less outcome is sort of the ironic situation we're in with G-20, I think.

MR. SCHWARTZ: We're going to go to Karen (sp), and then we're going to come over here to you.

Q: I'd like to ask Ernie and Mike if you could elaborate on what the message back home from the Bali trip will be for President Obama. There clearly will be this pressure on him to ditch that leg of the trip, and – so how is he going to communicate to an audience back home that this is important and this is relevant to Americans' lives and to the economy?

MR. BOWER: Yeah. President Obama's got to take Bali to the dinner table, I think, and he's got to – he's got to make the case that if we are going to move out of our economic slowdown or recession, whatever it is, that Asia is part of the answer. And being back on a forward foot on trade is going to be absolutely key to that, so that your job, your dad's jobs, your – the college graduate's job at the table is going to be linked in some way to Asia. And he's got a very good case to make. Two-thirds of all world trade is in Asia. Two-thirds of all shipping goes through the South China Sea.

And that's where he's going to link the security piece to it. He's going to talk about the importance of – the fulcrum of American global security concerns also shifting to Asia. Leon Panetta has already given us the talking points for this on his most recent trip. Asia is where the game is for the 21st century, and the president's going to say that from Bali. He's going to say that this is the place where we're going to grow; this is the place where we are going to continue and sustain our role as a – as a guarantor of security, and we're going to have to do that through strength and relationships with allies and through new architecture. And that's why I'm here in Bali, because if I'm not here, we can't be at the table as this new architecture gets set, and we would be – we would be negligent and – to the American people if I wasn't protecting their economic and security interests. That'll be the message.

MR. GREEN: I think Ernie's absolutely right. But it's going to be really hard for them – (chuckles) – because the Asia-matters-for-jobs message is going to be the message at APEC. And can they revive that message and – or keep it, sustain it with you all for a week? I think it'll be hard.

And then the Australia trip is significant. It's important. It's a big deal that a majority of Australians actually support a U.S. permanent military presence. It shows that although we have economic difficulties and although in Beijing, there's a(n) almost overconfidence about the future, the rest of the region wants a stable balance of power and wants us there. It's a – it's a big deal. But it's all about China and it's all about security.

And then, when he goes into Bali, I'm trying to think through, how does he make the trade case over again? And what does he do about the security argument? Because although there's going to be – what a lot of the members of the East Asia Summit will want is to – is to – for us to speak softly and carry a big stick. They're going to want us to be clearly there, maintaining a stable balance as they trade with China and with us, but they're not going to want us to wave that stick in China's face and put them in a difficult position.

And he'll just be coming from Darwin, where we'll be talking about a defense alliance – a security alliance. They'll frame in global terms, but it will undeniably be about dealing with the shifting balance of power in Asia.

Then he'll go to Bali and the East Asia Summit managers in ASEAN do not want security – traditional security – to be a major theme. They want disaster relief – user friendly, lowest common denominator things everybody can talk about. Nobody gets hurt – like ultimate Frisbee, you know. (Chuckles.) No scoring points, you know. They don't want full-contact gridiron football, which is what we tend to do.

And then, if he doesn't talk about security, can he talk about economics, when in fact, the East Asia Summit hasn't really produced anything on economics, and APEC has. And if he – if he does what a lot of ASEANS would like us to do, which is kind of sit quietly and hold our big stick – our, you know, our military presence and all the rest – what's the narrative back here when he's already criticized from leading from behind. I mean, can he demonstrate leadership the way the ASEANS would like, which is to just be a polite, new member of this summit.

So I sympathize. I don't say this to criticize the president, because what Ernie said is absolutely right in terms of our national interests. But how the White House manages the press narrative on this is really tricky. And I'm not sure how they do it. And whoever's going on the trip – I know from many of these trips – is going to be really grumpy and tired – (chuckles) – and cynical and burned out and no longer buying the message by the time you get to Bali. (Laughter.) So – and they don't have the outfits anymore, either – so tough press management problem.

Q: Thanks. Heather Scott from Market News International. I just want to flip the last question around a little and supposed that from the U.S. point of view, what do the – what does the G-20, the leaders, have to do to restore confidence in this ever changing – I mean, I just found out the prime minister of Greece is speaking in a couple of hours, so it could be – yeah, it could –

MR. : It could change again.

Q: It could change again. But, obviously, they just barely sort of restored confidence last week. And now, what can they do regain some of that?

MS. CONLEY: Again, this is – this is a crisis of confidence. And I have often argued, for the last two years, we've treated – we've been treating this like an economic crisis. It's a political crisis that is fueled by the economic crisis. And you're seeing where the politics of this are starting to completely come undone – it's a slow-motion collapse in some respects of the politics of this.

And I – you know, there is no way one individual leader can restore that confidence. And so I don't know. I mean, I think European leaders have been extremely artful in I think the last two weeks or three weeks. I think the market is somehow trained them to say, if we say something extremely positive, we've got a plan, we're going to implement this plan, you're going – we're going to knock your socks off at this plan – you know, the market jumps up 200 points. Oh, good. They have a plan. This is going to be great. We've bought the day.

They're buying time now in nearly hourly increments rather than, you know, the first – the first Greek bailout package, the May 2010 summit, lasted for approximately four months. The July 21st summit lasted for three weeks. I mean, this compression of time – they can't come up with, you know, a plan big enough, fast enough to, again, try to attack that crisis of confidence. So I don't know how – and I'm sorry, please forgive my lack of understanding and answers here – I do not know how you turn this around.

A communique coming out of the G-20 isn't going to make the, you know, 48 percent of Spanish youth unemployment go away before their election on November the 20th. It's not going to – you know, how is – how is this communique going to impact the Greek voter who has to say yea or nay on this referendum? I don't know. And at this point, we're starting see where the market, in some respects, has a stronger voice in this than the political leadership, and even the people in some respects.

If they start driving where these decisions are heading, we are in some serious uncharted (ph) territory here – 60 years of the European project may become undone pretty quickly. And while, Mike, I completely agree with you – the pivot is the Pacific – but Europe has President Obama's full and complete attention right now. And it's not positive attention. It's obviously negative attention of what this could do the global economy.

But we can't pivot quite yet, because what this is going to do to Europe, socially, politically, economically, we can't keep – take our eye completely off that ball. And I think – I think you're going to see some pretty amazing protests, potentially, at this G-20 summit. You know, we're about to see some things we haven't seen in quite some time.

MR. GREEN: You know, global powers don't get to pivot. (Chuckles.) We have interests everywhere.

MR. SCHWARTZ: We're going to go here and then we'll come right back behind me.

Q: Hi. Sara – (inaudible) – with Fox News. My question is to Heather. Regarding the economic crisis in Europe and here, where is the dynamic balanced as far as the shared goal? You know, the president has said that Europe's a drag on our economy, the Europeans have sort of been – frustrated that we're not focusing more on the debt crisis. Is there a shared goal of helping – (inaudible) – or is this kind of just a mess?

MS. CONLEY: Yeah. Well, and that's the difference between – I think there was a shared goal in April of 2009, and there was the political willingness to do big things – big IMF programs, do what it takes. Two years later, we're sort of running out of policy tools and the political will as greatly diminished. We see that in our own domestic conversation here in Congress. We see that, obviously, in Europe today. So that's absolutely the question: Is there a shared purpose here, other than to make sure there's firewalls and this doesn't wash up on my shores.

So a bit of that global unity has broken down, to some extent. Who's coming to who's rescue and what does the – what is the political consequence of that happening? Are we going to

see the emerging economies in their – if they do take a bold step to help facilitate – or rescue, what are their demands going to be? How will that shift global economic governance as we know it?

This is the question. And I tell you what, this is the question, I think, that reporters will ask President Obama at the end of the G-20 summit. Do we will have unity – global unity of purpose to get out of this crisis, or are we all returning to a more protectionist, sort of renationalizing our economic policies to prevent contagion, to prevent our own economic problems. That is the dynamic, I think, we face today.

MR. SCHWARTZ: Great. Let me go over here.

Q: Thank you. My name is Nabil (ph), I'm from the Malaysian embassy. My question is, what issues the U.S. is championing for this year's G-20 and APEC leader's declaration?

MS. CONLEY: As I said, I think that the template, quite frankly, is going to be coming out of the G-20 finance minister's statement – communicate that came out in mid-October. I think you will see the suggestion of a Cannes action plan for global growth. Again, this is try to bring that shared goal, which is everyone trying to grow out of this problem. But I – you may see some – and I hope that the – something we haven't focused on is the development agenda, which is obviously a huge issue that's transitioning from the G-7/G-8 to the G-20. What we'll see on sort of the development agenda.

Financial sector reform, how – again, from 2009, how have the reform efforts – have they been implemented? There was real criticism of the G-20 that, absent a crisis, they weren't – there was not a sense of urgency in implementing the reforms and promises in the financial sector that they had promised. What will we see as far as concrete action? That, for the G-20, again, will be completely – the first paragraph that we're going to watch is what does the G-20 say about the European – the comprehensive plan that they have. Do they have confidence in it? And, again, how do they put in context this referendum. And how that rolls out, I think, will color the G-20.

MR. GREEN: In the – in the late '90s the U.S. – and Canada, Australia, but principally the U.S. – made a push to try to get trade liberalization commitments at APEC. And most of the region rejected that. So for the past decade every APEC has had a collection of new aspirational commitments, if you will, or statements of principle that relate to how we see growth. So this year, the big emphasis on green growth – which, frankly, strikes me as slightly – a little bit yesterday's news, but these things build on each other.

There's always some agreements on trade facilitation and regulatory harmonization. For the business communities, things are – it's a lot of small appetizers that taken together are a pretty substantive meal. For the public, it's not so interesting, to be honest. And so I think the – that'll – that stuff will be in the statement. There are a lot of ministerials leading up to APEC – trade, foreign ministers, energy ministers, finance ministers.

The interesting narrative, really, will be what happens at APEC and what the audibles are – to use another football metaphor – what the president messages and what issues come up that shape their dialogue. So emphasizing exports, creating a free trade agreement and TPP will be a big theme. But the words “KORUS” and “TPP” may not even show up in the joint communique.

MR. SCHWARTZ: We have time for a couple more, so I’m going to, you know, try to do it – do this quickly.

Q: Hi, sir. My name is – (inaudible) – from Shanghai (ph) News Agency. Mr. Green, you mentioned that the U.S. owns this – owns messaging in this time – in this year’s APEC. And their actually – you’re actually pushing green growth and TPP. And my question is, from previous trade negotiations, we have seen that developing countries and developed countries have – there are different agendas.

And I mean – I mean, in this green growth, do you expect any – I mean, any hurdles? Or how much – how interested is the United States in listening to developing countries’ agendas? And also on TPP, because it only consists of nine countries, how do you – how do you push it in APEC? I mean, it’s like two dozen economies.

MR. GREEN: So that’s why I said the word – the letters “TPP” will not appear – will probably not appear – in the – in the joint communique. And I don’t know if – I don’t know what’s in the draft joint communique. And even if they did, it would be together with all the other trade agreements and negotiations to show that the region is moving towards integration. TPP is not an APEC agreement. It’s a theme the president will want to emphasis to show that we’re building a trans-Pacific trade architecture – which at one point people thought APEC would do. But it can’t for a variety of reasons.

So – and in terms of green growth and developing and developed countries, I think – oh, sorry, I need my microphone. Thought you had spinach on my teeth, I couldn’t figure out what the –

The – you know, they could have done something big in APEC. They could have, for example, tried to get agreement on designating green goods and services so that they could have a focused reduction of tariffs in specialized categories to promote more trade.

MR. : Like the ITA.

MR. GREEN: Yeah. But I don’t think they’re going to do that. I think it’s too ambitious. So I – so most of the green growth will be aspirational, and then we have various bilateral arrangements to exchange technology. But you raise a good point. I mean, green growth is – we’re in competition – (chuckles) – for these technologies in these markets. So an agreement that green growth is important can only go so far in terms of cooperation, and may be more symbolic than not.

That’s why I think the substantive message, which is not going to be part of the joint statement, is TPP – KORUS, TPP and building the building blocks of real trade liberalization –

it's nine countries, but it's a very – especially if Japan's in it, but even if Japan isn't, it's a very powerful group that countries will want to be in. And it really builds momentum for lowering barriers to trade.

MR. SCHWARTZ: Question over here.

Q: Hi, yes. Dave Nakamura with The Washington Post. You guys kind of – Heather and Mike both touched on it sort of indirectly I think. But let me just ask it directly – more directly. Yesterday, the White House – the administration official came out and said that the president has put a lot of emphasis on the G-20 as, you know, building it up as a key economic group and so on.

And yet, we're going into this with – we don't really know what the agenda is or what our success might be, and what power the group might have. Is this – is this, over the last few years under the Obama administration that the G-20 not really lived up to what the president wants it to be. Is it an effective organization anymore or has it lost its mission?

MS. CONLEY: Thanks, Dave; great question. It is certainly the premier economic forum that brings the top 20 economies around the table, again, representing, you know, 80 percent of global GDP. This is a powerful group. But exactly some of the same themes that Mike was suggesting, the – you know, focusing on a shared agenda, keeping the cohesiveness of this group in absence of a crisis – and this was really the criticism. The G-20 seemed to function best when it, you know, had no other choice but to do big, bold things.

In the waning years, it sort of lost it's – a bit of its focus. Leaders were – they were sort of re-announcing initiatives they had previously announced. It became – you know, the symmetry, the coloring of the respective presidency would sort of shape, you know, the agenda and things like that. It meandered a bit. So will this particular summit refocus this group to do powerful things?

And I guess my argument is, two years does make a difference, between the April summit to this summit. That you just don't have the political cohesiveness and the leadership – at least my sense of it – to sort of go ahead and do that big, bold step again. And one of the big and significant deliverables at the April, 2009, G-20 was a very big role for the IMF. And that was sort of my – as I was making notes to myself – what will – will the IMF be asked to a big, bold thing at G-20 – at the G-20?

And that has some – an I think the White House backgrounder yesterday – sort of, this is a very delicate question for us, because if we approve a very strong, big, bold role for the IMF, as the U.S. is the largest contributor, are we then sort of supporting a larger role for the United States to play in this bailout? And I'm sure you'll see the sensitivities of that – whoa, whoa, whoa, whoa. I want – Europe can solve this. I'm not sure I want, you know, U.S. involvement or deep involvement. And I think, again, sort of a Chinese reaction you hear the same thing. Listen, I want Europe to get its act together, but whoa, whoa, whoa, I'm not sure I want to put all in here.

So are we – are the G-20 countries prepared to do what is necessary to sort of save the day, or really they're just interested in getting by this summit. And that is a question of leadership. That is a question of great courage. And we will see if it is on full display this week or if we are going to get past this summit and we'll need many more summits to address the evolving crisis.

MR. GREEN: In the State Department on the 7th floor is a small conference room that some of you may have been in. The secretary of state uses it for briefings. And the table is the G-8/G-7 – the G-7 table from Houston, 20-some years ago. And there are seven seats around the table. And there's Nakasone's name and Reagan's name and Kohl's name – and it's very intimate. Everyone can touch the person next to them. And I've been in meetings there; and some of you may have had briefings there. And you can have a really candid discussion, look right in someone's eye across the table.

The G-20 – the table is larger than this room. And it's called the G-20, but actually there are probably – I've lost track – but another half-a-dozen other World Bank, you know, observers. It's a conference. It's a mega-event now. And it reflects accurately the distribution of economic power, but not – but the problem is, unlike the G-7, the pondrence of economic power is held by the leading industrial democracies and developed countries. So it's a smorgasbord of different economic and political systems, and levels of development.

And as a result, there are caucuses and groupings – IBSA, the Iran – not Iran – India, Brazil, South Africa; the original G-7 – trans-Atlantic and Japan, industrialized economies. There are little caucuses that meet within it. I don't think it has a very good shot of going on, to be honest, at least not for a while, going on the proactive, agenda-forming mission, the way the G-7 did. But, it's really important because it still does play – and it did this in 2009 – the role of defense – of socializing, especially some of these developing countries, but also some of the developed countries – from pursuing beggar-thy-neighbor policies and – (inaudible) – trade.

So at least in terms of imposing a cost on big economies that cheat – (chuckles) – in times of crisis – or that break ranks, it does have some useful role. I think the frustration for the administration is they haven't figured out how to turn it into a proactive, agenda building forum like G-7 was. Personally, I think the answer is going to be, you know, building this bit by bit caucuses starting on the G-7 and working our way out.

One reason, by the way, why engagement with Asia is so important – our relationship with Indonesia, key player now in the G-20, India – we need to really pick up these bilateral relations because we need these countries to be on-side in the G-20 as well.

MR. SCHWARTZ: Mike –

MR. GREEN: (Inaudible.)

MR. SCHWARTZ: OK. We're going to – I want to thank our super group of presenters today. I think was an absolutely fascinating discussion, and one that – to be continued. Please let us know if we can help over these next couple weeks. You know where to reach me. This

session today will be up on our web, both in video and audio form. We're also have a transcript at cisis.org, and we will be sending it out to you as well.

Please also take note of our new iPhone app for those of you who are iPhone users. It's got a lot of great information on there about our experts and the work that they're doing. And one final announcement, for those of you who have been watching the Japan recovery, this week, Wednesday, Dr. Green will be unveiling the – our commission report, which we did in partnership with – (inaudible) – the Japanese Business Council on recommendations and observations of the Japan recovery from 3/11.

Thanks very much for coming today.

(Applause.)

(END)